

THOMAS ECONOMIC
DEVELOPMENT AUTHORITY
THOMAS, OKLAHOMA

FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

JUNE 30, 2021

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Thomas Economic Development Authority
Thomas, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the Thomas Economic Development Authority (a component unit of the City of Thomas, Oklahoma), as of and for the year ending June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's modified cash basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1 and this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable

assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accompanying financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position-modified cash basis of Thomas Economic Development Authority, as of June 30, 2021, and the respective changes in financial position-modified cash basis and its cash flows-modified cash basis for the year then ended, in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The

purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Thomas Economic Development Authority's internal control over financial reporting and compliance.

M. McCulley & M. McCulley

Weatherford, Oklahoma

November 18, 2022

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF ASSETS, LIABILITIES AND NET POSITION
MODIFIED CASH BASIS
JUNE 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 340,456
Notes Receivable	107,811
Capital Lease Receivable	99,236
Total Current Receivables	<u>207,047</u>
Total Current Assets	<u><u>547,503</u></u>

Noncurrent Assets

Assets Held for Economic Development	20,065
Notes Receivable, Net of Current	1,409,607
Capital Lease Receivable, Net of Current	842,490
Total Noncurrent Assets	<u><u>2,272,162</u></u>

TOTAL ASSETS	<u><u>\$ 2,819,665</u></u>
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LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities

Accounts Payable	\$
Notes Payable	99,570
Total Current Liabilities	<u><u>99,570</u></u>

Noncurrent Liabilities

Notes Payable, Net of Current	962,402
Total Long-Term Liabilities	<u><u>962,402</u></u>

TOTAL LIABILITIES	<u><u>1,061,972</u></u>
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NET POSITION

Net Investment in Capital Assets	
Unrestricted:	
Invested in Community Development Projects, Net	1,417,237
Unrestricted	340,456
TOTAL NET POSITION	<u><u>1,757,693</u></u>

TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 2,819,665</u></u>
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The accompanying notes are an integral part of these statements.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2021**

Operating Revenues	
Rental/Lease Income	\$ 1,700
Miscellaneous	<u>1,050</u>
Total Operating Revenues	<u>2,750</u>
Operating Expenses	
Administration/General	11,271
Economic Development	29,706
	<u>40,977</u>
Total Operating Expenses	<u>40,977</u>
(Loss) from Operations	<u>(38,227)</u>
Non-operating Revenues (Expenses)	
Investment Income	370
Interest Income on Notes and Capital Lease Receivable	97,281
Interest Expense	(44,579)
	<u>53,072</u>
Total Non-operating Revenues (Expenses)	<u>53,072</u>
Net Revenue before Contributions and Transfers	14,845
Transfers In - Sales Tax Revenue from City of Thomas	<u>106,914</u>
Change in Net Position	121,759
Net Position - Beginning of Year	1,635,934
Net Position - End of Year	<u><u>\$ 1,757,693</u></u>

The accompanying notes are an integral part of these statements.

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities

Receipts from Customers	\$ 1,700
Other Operating Cash Receipts	1,050
Payments to Suppliers	(11,271)
Payments for Economic Development	(22,206)
Net Cash (Used for) Operating Activities	<u>(30,727)</u>

Cash Flows from Noncapital Financing Activities

Transfers in - Sales Tax Revenue	<u>106,914</u>
Net Cash Provided by Noncapital Financing Activities	<u>106,914</u>

Cash Flows from Capital and Related Financing Activities

Repayment of Capital Lease Receivable	227,449
Interest Received on Notes and Capital Lease Receivable	97,281
Cash Outlay for Capital Lease Receivable	(71,141)
Principal paid on Notes Payable	(102,671)
Interest Paid on Notes Payable	<u>(44,579)</u>

Net Cash Provided by Capital and Related Financing Activities	<u>106,339</u>
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Cash Flows from Investing Activities

Cash Outlay for Notes Receivable	(82,401)
Repayment of Notes Receivable	111,633
Investment Income	370
Net Cash Provided by Investing Activities	<u>29,602</u>

Increase in Cash and Cash Equivalents	212,128
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Balance of Cash and Cash Equivalents

Beginning of Year	<u>128,328</u>
End of Year	<u><u>\$ 340,456</u></u>

**Reconciliation of Operating (Loss) to Net Cash
(Used for) Operating Activities:**

Operating (Loss)	\$ (38,227)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities	
Non-cash Economic Development Expense	<u>7,500</u>

Net Cash (Used for) Operating Activities	<u><u>\$ (30,727)</u></u>
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Non-cash Economic Development Expense is the cost of assets held for economic development that was donated to a new business.

The accompanying notes are an integral part of these statements.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies.

The accounting policies of the Thomas Economic Development Authority (the Authority) do not conform to accounting principles generally accepted in the United States of America as applicable to governments. These standards are set by the Governmental Accounting Standards Board (GASB). The Authority uses the modified cash basis of accounting as described below. The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as loss allowances on receivables); accordingly, actual results could differ from those estimates. The following is a summary of the more significant policies.

A. The Reporting Entity.

The Thomas Economic Development Authority was created as a public trust under and pursuant to the laws of the State of Oklahoma on March 16, 1987. The Authority was created for the use and benefit of the City of Thomas, Oklahoma (the beneficiary). The trust indenture establishing the Authority was amended on December 9, 1998, and it specifies the purposes of the trust. The trust indenture was amended on March 27, 2019 to provide for seven trustees. The seven trustees of the Authority are appointed by the City Council of the City of Thomas. The City Council of the City of Thomas may also remove any trustee from office, without cause, by a majority vote. The Authority uses the City of Thomas office space and employees to conduct its business. It also manages and leases some of the City's properties and receives financial revenue from the City. Based upon the criteria for a component unit, the Authority is a component unit of the City of Thomas, Oklahoma, and its financial statements have previously been included as a component unit of the City of Thomas, Oklahoma's, financial statements. The City of Thomas, Oklahoma's, financial statements can be obtained from the City or from the Oklahoma State Auditor's web site at <https://www.sai.ok.gov/>.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued).

B. Basis of Presentation - Accounting.

The financial statements of the Authority are presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are reported as earned when cash is received and expenses are reported when the related liability is paid in cash, except as noted below. Generally accepted accounting principles require the Authority to report on the accrual basis. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability is incurred.

C. Cash and Cash Equivalents.

Cash and cash equivalents consist of demand deposit accounts and interest-bearing checking accounts.

D. Accounts and Notes Receivable.

Accounts receivable are expenses paid by the Authority with the intention to be reimbursed by a third party. Notes receivable are loans made to third parties for community development. No allowance for doubtful accounts has been established since management believes all are collectible.

E. Capital Lease Receivable.

Capital lease receivable is a lease purchase agreement with a third party to transfer title to capital assets providing all lease payments have been made as agreed.

F. Notes Payable.

Notes Payable incurred by the Authority are recorded as liabilities.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued).

G. Net Position.

Net Position is classified into three components:

1. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any notes payable attributable to these assets.

2. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional revisions or enabling legislation.

3. Unrestricted net position - All other net position that does not meet the definition of the other two above. These include amounts designated by management for a particular purpose. Invested in community development projects, net are assets held for economic development, various receivable amounts authorized by the Board of Trustees to provide capital to new and/or existing businesses within the community and to promote economic development, net of any related debt to acquire those assets.

H. Operating Revenues and Expenses.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of rental and administrative fees. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 2 - Cash and Cash Equivalents.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority uses the state statutes as a deposit policy for custodial credit risk. All funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 available to depositors under the FDIC's general deposit insurance rules.

At June 30, 2021, the Authority's cash and cash equivalents consisted of demand deposits as follows:

	June 30, 2021
Total Cash and Cash	
Equivalents	<u>\$340,456</u>
Total Demand Deposits:	
Carrying Balance	\$340,456
Bank Balance	341,521
Insured Balance	341,521

Note 3 - Notes Receivable.

Notes receivable consists of loans made to third parties for community development. Certain borrowers may have had deferred payments or modifications to their note approved due to the local economic downturn and the Covid 19 pandemic affecting the nation. The following briefly describes these receivables:

Schrock Automotive LLC - On May 22, 2018, the outstanding balance of another note for building improvements and equipment was transferred to this note with an original amount of \$20,014. The lease purchase agreement between the same parties is incorporated into the note agreement. Repayment terms are monthly payments of \$448 at 3.5% interest for 48 months. On March 3, 2020, the Board of Trustees approved the deferral of 5 months payments until the end of the note. The balance on this note as of June 30, 2021 was \$ 6,672.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 3 - Notes Receivable (continued).

Myriad Counseling Solutions LLC - On March 19, 2018, the Authority executed a promissory note with the debtors to advance up to \$166,668 for developing their property for their business. Repayment terms are for monthly payments of \$1,101 beginning November 2018, at 3.75% interest until paid in full. Security for this promissory note is a mortgage on certain lots and real property, fixtures attached, and any improvements existing or hereafter acquired. The debtors also executed a ten year note with another entity for \$50,000 at 6.75% interest on July 24, 2018. Collateral is the same real property as the Authority's note. The unpaid balance of that note is \$38,752. The Authority is listed as a guarantor for the note with the other entity. On April 7, 2020, the Board of Trustees approved the deferral of 3 months payments until the end of the note. The balance owed the Authority as of June 30, 2021 was \$133,951.

William S. and Kelli Litsch - On September 21, 2015, the Authority executed a promissory note with these debtors not to exceed \$250,000. Security for this promissory note is a first mortgage on certain lots and real property, furniture, fixtures, equipment, and inventory existing or hereafter acquired. These certain lots and real property are also used to secure certain indebtedness (Swift notes) as noted in footnote 6. Interest will accrue from the date of the final advancement at 3.5% interest over 180 months (as amended on October 4, 2016). Final repayment terms call for monthly payments of \$1,788 beginning August 1, 2016 and maturing on July 1, 2031. At the Board of Trustees March 6, 2019, meeting, the Board approved deferring two payments on this note to the end of the note term. On May 13, 2020, the Authority agreed to purchase a lot from the Litsch's and to release Kelli Litsch from the three notes in exchange for the William S. Litsch's parents to become new co-borrowers. The balance on this note as of June 30, 2021 was \$179,044.

A second promissory note was executed on June 20, 2016, for \$102,000. Purpose was to purchase merchandise inventory which is used as collateral for this note. Repayments terms call for monthly payments of \$1,010 beginning August 1, 2016, at 3.5% interest until paid in full. Note matures on August 1, 2026. At

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 3 - Notes Receivable (continued).

the Board of Trustees March 6, 2019, meeting, the Board approved deferring two payments on this note to the end of the note term. The balance on this note as of June 30, 2021 was \$60,522.

A third promissory note was executed on March 18, 2019, for \$20,000. Purpose was to purchase merchandise inventory which is used as collateral for this note. Repayments terms call for monthly payments of \$556 beginning in May, 2019, at 0.0% interest until paid in full. Note matures on May 6, 2022. The balance on this note as of June 30, 2021 was \$ 6,667.

Precision Design Inc. - The Authority sold property to the borrowers for \$600,000 and received \$120,000 down payment and financed the remaining \$480,000. Repayments terms call for monthly payments of \$2,909 beginning April 1, 2019, at 4.0% interest until paid in full. Note gave the borrowers the option to make a 12 month prepayment on the note with \$1,700 being applied to the ground sublease payment. The borrowers did exercise this option and made another annual payment in fiscal year 2021. The balance on this note as of June 30, 2021 was \$314,295.

Supreme Trailer Sales LLC - This promissory note was executed on May 23, 2019 for \$500,000. Terms will be interest at 2.5% amortized over 20 years. Repayment began on March 9, 2020, with monthly payments of \$2,650. Note is secured by a mortgage of 5 acres of property deeded to borrowers along with all improvements made to the property. On November 26, 2019, the Authority borrowed \$250,000 from CKenergy Electric Cooperative, Inc., and assigned this note and mortgage to them as security. The balance on this note receivable as of June 30, 2021 was \$471,329.

A second promissory note was executed on February 18, 2020, for \$120,000. Repayment terms call for \$636 monthly payments at 2.5% interest for 20 years. \$28,376 was refinanced from a lease purchase agreement. Note is secured by the building and lots 10, 11, 12, 15, 16, & 17 in block 99 of the City of Thomas. Lots 15, 16, & 17 are subject to a note payable to Pioneer Telephone Cooperative, Inc., as more fully discussed in Note 6.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 3 - Notes Receivable (continued).

Balance at June 30, 2021 is \$113,042.

Dog Pound Fitness LLC - These consists of two notes to one borrower for a building and equipment. Building and equipment notes are for \$72,000 and \$30,000, respectively. Interest will be at 3.25% and repayment to begin on November 1, 2019. Monthly payments are \$461 and \$217, respectively. The balance at June 30, 2021 was \$60,296 and \$19,254, respectively. Total is \$79,550.

Jimmy Litsch - On May 13, 2020, the Authority loaned \$100,000 to the borrower secured by real estate and equipment. Repayment terms call for monthly payments of \$1,819 at 3.5% interest beginning July 1, 2020. The balance at June 30, 2021, was \$70,933.

J. Masquelier - On February 24, 2021, the Authority loaned \$70,000 to the borrower secured by real estate and remodeling expenses. Repayment terms call for monthly payments of \$518 at 4.0% interest for a term of 15 years after the final advance is made. The balance at June 30, 2021, was \$58,015.

SC Meats - On February 11, 2021, the Authority entered into an agreement with Thomas Public Works Authority (TPWA) and South Canadian Meats, LLC (SC Meats). The agreement calls for the Authority to advance to TPWA the costs to construct a forced main sewer lift station on property owned and maintained by TPWA. SC Meats agrees to pay the Authority \$1,000 per month beginning the month the lift station becomes operational until the full amount advanced by the Authority has been reimbursed. During the repayment period, TPWA agrees to waive all sewer/waste water charges of SC Meats until the obligation to the Authority is satisfied. After satisfaction of the debt to the Authority, SC Meats and TPWA will negotiate further waste water charges. TPWA also agrees to pay for the required generator at the new lift station. The Authority had donated five acres of land (cost \$7,500) toward this project. The balance at June 30, 2021, was \$23,398.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 3 - Notes Receivable (continued).

A summary of notes receivable activity follows:

Note Receivable	Balance 6/30/20	New Receiv- able	(Repay- ments)	Balance 6/30/21	Due With-in One Year	Note Receivable -Net of Current
Schrock Automotive	\$ 11,987	\$	\$ (5,315)	\$ 6,672	\$ 5,222	
W. Litsch	191,104		(12,060)	179,044	18,109	
W. Litsch	68,572		(8,050)	60,522	11,889	
W. Litsch	12,222		(5,555)	6,667	6,667	
Precision Design	328,112		(13,817)	314,295	5,951	
Supreme Trailer	492,906		(21,577)	471,329	18,375	
Supreme Trailer	118,222		(5,180)	113,042	4,411	
Dog Pound	84,990		(5,440)	79,550	5,596	
Myriad Solutions	140,651		(6,700)	133,951	8,261	
J. Litsch	97,884		(26,951)	70,933	19,628	
Masquelier		59,003	(988)	58,015	3,702	
SC Meats		23,398		23,398		
Totals	<u>\$1,546,650</u>	<u>\$82,401</u>	<u>\$ (111,633)</u>	<u>\$1,517,418</u>	<u>\$107,811</u>	<u>\$1,409,607</u>

Note 4 - Capital Lease Receivable.

Capital lease receivable is a lease-purchase loan made to a third party with a bargain purchase option.

Schrock Automotive, LLC - On February 13, 2012, the Authority entered into a capital lease agreement for the building and equipment. The capital lease agreement has a principal amount of \$126,600 to be repaid over 120 consecutive monthly installments of \$1,237 with payments beginning March 13, 2012. The stated interest rate is 3.25%. At the end of the lease, Schrock Automotive may purchase the building and equipment for \$1. This lease is secured by the building and equipment. The

**THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021**

Note 4 - Capital Lease Receivable (continued).

building and equipment has a first mortgage to CKenergy Electric Cooperative who loaned the Authority the funds to purchase the building and equipment as noted in Note 6. The balance on this agreement as of June 30, 2021 is \$14,887.

A second contract between the Authority and Schrock Automotive, LLC, was executed on January 18, 2017. This contract provided for Schrock Automotive to deed to the Authority real estate located adjacent to the property stated in the first paragraph and then for the Authority to construct a commercial building and other improvements on these premises. Upon substantial completion of the construction (estimated to be \$650,000), the two parties will enter into a written lease purchase agreement for the Authority's construction and other costs to be repaid with 4% interest and monthly payments over 15 years. The commercial building and other improvements has a mortgage to the Bank of the West who loaned the Authority the funds for the construction as noted in Note 6. The accumulated construction balance (which included \$14,446 capitalized interest costs) totaled \$664,320 on this agreement. The balance at June 30, 2021, is \$573,037.

Foamtech Inc. - The Authority executed a lease purchase agreement on March 16, 2016, with Foamtech Inc. for certain real estate it owns along with an agreement to construct a building on the property. At the end of the construction period, the total construction costs will be used to determine the purchase price. The building and land has a mortgage to the Bank of the West who loaned the Authority the funds to construct the building as noted in Note 6. On March 27, 2017, the parties executed a revised lease purchase agreement stating the total construction costs were \$458,797 (which included \$6,901 in capitalized interest costs). Terms then call for interest at 3.5% over 120 months beginning April 1, 2017, and monthly payments of \$4,524 thereafter. Maturity is March 31, 2027. The balance on this agreement at June 30, 2021, was \$282,661.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 4 - Capital Lease Receivable (continued).

Roywell LLC - The Authority executed a lease purchase agreement on November 27, 2017, with Roywell LLC for certain real estate it owns along with an agreement to construct a building on the property. In July, 2018, construction was completed with the total construction costs determined to be \$223,773. Repayment terms call for interest at 3.75% over 60 months beginning on July 10, 2018. Monthly payments are \$4,087. Roywell sold this property and paid off the agreement in September 2020. The balance on this agreement at June 30, 2021, was \$ -0- .

Tiny Terriers LLC - The Authority executed a lease purchase agreement on June 16, 2021, with Tiny Terriers LLC and individual owners for certain real estate and improvements. Original amount was for \$110,000 (amended to \$144,195 on September 3, 2021). The repayment terms on the amended amount calls for monthly payments of \$1,228 at 3.5% interest, 12 year term, beginning November 1, 2021. The balance on this agreement at June 30, 2021, was \$71,141.

The following is a summary of the capital lease receivable transactions ending June 30, 2021:

Capital Lease Receivable	Balance 6/30/20	New Receiv- able	(Repay- ments)	Balance 6/30/21	Due With-in One Year	Capital Lease Receivable -Net of Current
Schrock Automotive	\$ 29,826	\$	\$ (14,939)	\$ 14,887	\$ 14,573	
Schrock Automotive	603,022		(29,985)	573,037	36,905	
Foamtech	326,337		(43,676)	282,661	45,005	
Roywell LLC	138,849		(138,849)	-0-		
Tiny Terriers		71,141		71,141	2,753	
Totals	\$1,098,034	\$ 71,141	\$ (227,449)	\$ 941,726	\$ 99,236	\$ 842,490

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 4 - Capital Lease Receivable (continued).

Total Minimum Lease Payments	
Receivable at June 30, 2021	\$1,129,205
Less Interest to be Earned	(187,479)
Capital Lease Receivable	<u>\$ 941,726</u>

Note 5 - Assets Held for Economic Development.

Assets Held for Economic Development consists of capital assets purchased to promote economic development in accordance with the trust indenture. Assets may be sold or donated to a prospective business. Assets are recorded at cost. Depreciable assets are not depreciated. Since the Authority reports on the modified cash basis, adjusting the assets held for economic development to current market value is not appropriate. At June 30, 2021, assets held for economic development consist of land owned by the Authority.

Note 6 - Notes Payable.

Notes payable consisted of the following:

CKenergy Electric Cooperative, Inc. - Revolving Loan Fund - Under the loan agreement dated January 9, 2012, the Authority obtained financing in the amount of \$126,600. The interest rate is 3.25% with a term of ten years. The Authority is to remit payments in the amount of \$1,237 in one hundred twenty equal monthly installments beginning April 1, 2012. The purpose of this loan was to purchase economic development property which was subsequently sold to Schrock Automotive, LLC, under a lease purchase agreement. This loan is collateralized by a real estate mortgage on the building and equipment. The balance on this loan as of June 30, 2021 is \$10,985.

A second loan agreement for \$250,000 dated November 26, 2019, was entered into for the purpose of obtaining financing for the Supreme Trailers \$500,000 note receivable. This note receivable along with its mortgages have been assigned to secure this loan. Terms of the note payable is

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 6 - Notes Payable (continued).

monthly payments of \$2,531 at 4% interest for 120 months. The balance on this loan as of June 30, 2021 is \$216,756.

Bank of the West - The Authority executed two promissory notes with the Bank of the West during fiscal year 2017. One is dated July 19, 2016 for \$250,000. Terms call for repayment at 4% interest, monthly payments of \$2,538 for 60 months with a balloon payment at maturity on July 19, 2021. On August 16, 2021, this note was modified to extend the maturity date to July 19, 2026. Monthly payments and interest rate stayed the same. The purpose of the loan was for financing the construction of a commercial building for the Foamtech lease purchase agreement in Note 4. Collateral for the note is a mortgage on the 20 acres land the Authority owns along with any improvements existing or made in the future. The balance of this loan as of June 30, 2021 is \$139,090.

The second promissory note is dated January 12, 2017 with a maturity date of January 12, 2022. This note advances funds to the Authority as needed up to a maximum of \$650,000. Interest is at 4%. Terms call for monthly interest payments from February, 2017 to January 12, 2018. Then monthly payments of \$3,959 beginning February 12, 2018 until January 12, 2022 when the note balloons and all outstanding principal and interest is due. On January 12, 2022, this note was modified to mature (balloons) on January 12, 2026. Monthly payments and interest rate stayed the same. The purpose of the loan is for the construction of a commercial building for Schrock Automotive. Note has a mortgage on the property on 119 East Broadway and 14 Airport Road in Thomas, OK. The balance of this loan as of June 30, 2021 is \$572,239.

Southwest Intermediary Finance Team, Inc. (SWIFT) - The Authority executed two promissory notes with SWIFT. Both have a mortgage on Lots 10, 11, 12, and 13 Block 85 and a Uniform Commercial Code security interest in the personal property, and the assignment of rents received on these properties.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 6 - Notes Payable (continued).

The first note is dated February 9, 2017 for \$50,000, 3.75% interest rate with maturity on February 9, 2022. Note terms are for monthly payments of \$915 beginning March 9, 2017 until paid in full. This loan was paid off in fiscal year 2022. The balance of this loan as of June 30, 2021 is \$7,202.

The second note is dated February 22, 2017 for \$150,000, 3.75% interest rate with maturity on February 9, 2032. Note terms are for 180 payments of \$1,091 beginning March 9, 2017 until paid in full. The balance of this loan as of June 30, 2021 is \$115,700.

The following is a summary of the notes payable transactions for the year ending June 30, 2021:

Notes Payable	Balance 6/30/20	New Debt	(Repay-ments)	Balance 6/30/21	Due With-in One Year	Note Payable-Net of Current
CKenergy Electric	\$ 25,221	\$	\$ (14,236)	\$ 10,985	\$10,985	
CKenergy Electric	237,996		(21,240)	216,756	22,106	
Bank of the West	163,350		(24,260)	139,090	25,370	
Bank of the West	596,061		(23,822)	572,239	24,980	
SWIFT	17,703		(10,501)	7,202	7,202	
SWIFT	124,312		(8,612)	115,700	8,927	
Totals	<u>\$1,164,643</u>	<u>\$</u>	<u>\$ (102,671)</u>	<u>\$1,061,972</u>	<u>\$99,570</u>	<u>\$ 962,402</u>

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 6 - Notes Payable (continued).

The annual contractual debt service requirements for retirement of principal and payment of interest are as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ 99,570	\$ 40,291	\$ 139,861
2023	84,348	37,075	121,423
2024	87,790	33,632	121,422
2025	91,373	30,049	121,422
2026	532,935	18,850	551,785
2027-2031	156,574	14,452	171,026
2032	9,382	154	9,536
Totals	<u>\$1,061,972</u>	<u>\$ 174,503</u>	<u>\$1,236,475</u>

Note 7 - Risk Management.

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. The Authority purchases a surety bond for its clerk and has the lessee purchase commercial insurance to manage these risks. Deductibles range from \$1,000 to \$2,500, depending upon the insurance coverage. The Authority is also a named plan member of the City of Thomas, Oklahoma, liability insurance policy.

Note 8 - Transfers in - Sales Tax Revenue from the City of Thomas.

The Authority receives funding from the City of Thomas to promote economic development for the City. The funds represent a one-percent City sales tax that is transferred from the City's General Fund. The Authority's management has stated that this one-percent sales tax was approved by the citizens of the City in an election and is to continue until the voters approve to discontinue it.

THOMAS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2021

Note 9 - Commitments.

The Authority entered into a lease agreement with the City of Thomas, (as lessor), on February 24, 1998, in which the Authority leased real property to develop an industrial facility to be leased to a tenant. No rental payments are required under the terms of the lease. The consideration shall be the installation, construction, and operation of improvements to the leased property. At the end of the 50 year lease term, the Authority has the option to renew the lease for a like term. One February 20, 2019, the Authority has executed a sublease of a portion of this real property with Precision Design, Inc. (subtenant), in consideration of the payment of \$1,700 annually. The sublease will have the same lease term as the Authority's lease as long as the subtenant occupies the property. For the year ending June 30, 2021, the Authority paid the City of Thomas the \$1,700 rent received.

On July 23, 2018, the Authority signed a guaranty agreement for a loan from a third party to Myriad Counseling Solutions LLC. The loan was for \$50,000 at 6.75% with a maturity of July 24, 2028. The balance of the third party loan at June 30, 2021 is \$38,752. The Authority has a note receivable with Myriad Counseling Solutions LLC as more fully described in Note 3.

On December 18, 2019, the Authority has committed \$50,000 to support the City of Thomas HUD for Main Street Housing Grant. These monies would be used to support business owners with renovation, if needed. As of the audit date, no funding has been provided.

Note 10 - Contingencies.

The Authority participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability or reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.



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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Thomas Economic Development Authority
Thomas, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the Thomas Economic Development Authority, for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Thomas Economic Development Authority's financial statements and have issued our report dated November 18, 2022. The Authority reports its financial statements on the modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the accompanying financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's

internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McCulley & McCulley

Weatherford, Oklahoma

November 18, 2022